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**CADDO PARISH FIRE DISTRICT NO. 6  
KEITHVILLE, LOUISIANA**

**ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/26/06

**CADDO PARISH FIRE DISTRICT NO. 6**  
**KEITHVILLE, LOUISIANA**

**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2005**

**MARSHA O. MILLICAN**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**SHREVEPORT, LOUISIANA**

**CADDO PARISH FIRE DISTRICT NO. 6**

**Keithville, Louisiana**

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**Marsha O. Millican**  
**CERTIFIED PUBLIC ACCOUNTANT**

**INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board of Commissioners  
Caddo Parish Fire District No. 6  
Keithville, Louisiana

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Caddo Parish Fire District No. 6, a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Caddo Parish Fire District No. 6's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Caddo Parish Fire District No. 6, as of December 31, 2005, and the respective changes in financial position for year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 26, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, I have also issued a report dated June 23, 2006, on my consideration of Caddo Parish Fire District No. 6's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in cursive script, reading "Marsha D. Mellica".

Certified Public Accountant  
June 23, 2006

# **CADDO PARISH FIRE DISTRICT NO. SIX**

**P. O. BOX 292  
KEITHVILLE, LA 71047  
PHONE # 318-925-8791  
FAX # 318-925-8799  
FID#: 72-1037843**

**PAUL IBLINGS, BOARD CHAIRMAN  
JERRY TAYLOR                      RUPERT SEPULVADO  
LUTHER LOFTIN                    ROBERT GILL**

**DAMON JOHNSON, Fire Chief**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Caddo Parish Fire District No. 6's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on December 31, 2005. Please read it in conjunction with the District's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

The District had total net assets of \$736,586 at year end which represents an increase from the prior year of \$76,700.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

These financial statements consist of the following - Management's Discussion and Analysis (this section), the basic financial statements, and notes to financial statements. These components are described below:

#### ***Basic Financial Statements***

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and Cash Flows provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report the District's net assets and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

## FINANCIAL ANALYSIS OF The ENTITY

### **Net Assets**

Net assets may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$736,586 as of December 31, 2005.

The District's major assets are its fixed assets of \$657,846 representing its investment in capital assets such as land, buildings and improvements, equipment and furniture, less the related debt used to acquire those assets that is still outstanding. The District owed \$455,000 at year end on the debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the citizens of the District; consequently, these assets are not available for future spending. Revenues needed to repay the related debt will be provided through tax assessments on property located within the District.

\$216,941 (30%) of the District's net assets is restricted for debt service. These funds legally must be used to pay interest and principal on the outstanding general obligation bonds.

### **Caddo Parish Fire District No. 6's Net Assets December 31,**

	<b>2005</b>	<b>2004</b>
Current assets	\$ 627,771	\$ 563,223
Capital assets	<u>657,846</u>	<u>646,296</u>
Total assets	<u>1,285,617</u>	<u>1,209,519</u>
Current liabilities	174,031	94,633
Noncurrent liabilities	<u>375,000</u>	<u>455,000</u>
Total liabilities	<u>549,031</u>	<u>549,633</u>
Invested in capital assets, net of related debt	202,846	116,296
Restricted for debt service	216,941	153,224
Unrestricted	<u>316,799</u>	<u>390,366</u>
Total net assets	<u>\$ 736,586</u>	<u>\$ 659,886</u>

### **Changes in Net Assets**

The District's net assets increased by \$76,700 during the year ended December 31, 2005. Approximately 53% (361,825) of the District's total revenue was derived through property taxes, while approximately 27% (\$180,579) was derived through charges for services (structure fees). Revenues were generally consistent with the prior year. Expenses incurred by the District are primarily for the provision of fire protection and emergency medical treatment to the citizens of the District. Approximately 48% (\$291,792) of the District's expenses are for salaries and related payroll taxes and employee benefits.

In 2005, governmental activity program revenues exceeded program expenses, resulting in an increase in net assets of \$15,498.

#### **Caddo Parish Fire District No. 6's Changes in Net Assets For the Year Ended December 31,**

	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 180,579	\$ 229,383
Capital grants and contributions	78,800	-
General revenues:		
Property taxes	361,825	281,659
Interest	9,858	10,221
Intergovernmental	58,511	38,076
Miscellaneous	<u>515</u>	<u>4,751</u>
Total revenues	<u>690,088</u>	<u>564,090</u>
<b>Expenses:</b>		
Public safety - fire protection	588,278	509,661
Interest on long-term debt	<u>25,110</u>	<u>28,860</u>
Total expenses	<u>613,388</u>	<u>538,521</u>
Increase(Decrease) in net assets	76,700	25,569
Net assets, beginning of year	<u>659,886</u>	<u>634,317</u>
Net assets, end of year	<u>\$736,586</u>	<u>\$659,886</u>



## FINANCIAL ANALYSIS OF THE DISTRICT'S INDIVIDUAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### *Governmental Funds*

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year.

As of the end of the current year, the District's governmental funds reported combined ending fund balances of \$492,870, a increase of \$15,498 compared to the prior year.

Of the combined ending fund balances, \$275,929 or approximately 56%, is unreserved and available for spending in the coming year. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to pay debt service, or (2) to purchase capital assets.

The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. The fund balance of the general fund decreased by \$61,910 during 2005. This is approximately a 19% decrease from the prior year.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the District complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA - R.S. 39:1301 et seq.).

The District's budget was amended during 2005.

The actual expenditures were \$130,151 more than the final budget amounts. This is due to unusual expenses incurred by the District to assist in Hurricane Katrina and Rita relief efforts. The District was also assessed additional retirement for 2003 and 2004 that was not anticipated.

Revenues available for expenditure were \$735 above the final budgeted amounts.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### ***Capital Assets***

The District's investment in capital assets for its governmental activities as of December 31, 2005, totaled \$1,255,968 net of accumulated depreciation of \$598,122, leaving a book value of \$657,846. This investment in capital assets includes fire stations (land, buildings and improvements), fire trucks, emergency response vehicles, fire fighting and rescue equipment, office equipment and furniture (equipment and furniture).

Actual costs to purchase capital assets was \$102,930 for the year. Depreciation charges for the year totaled \$91,380.

#### ***Debt Administration***

The District's outstanding general obligation bond was issued on August 1, 2000 in the original amount of \$800,000. The obligation is secured by the ability of the District to levy property taxes to ensure payment of the debt and was approved by a vote of the citizens of the District.

Long-term debt general obligation bond debt decreased by \$75,000, the amount of the annual principal maturity of the Series 2000 General Obligation Bond.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors were considered when the budget for the fiscal year ended December 31, 2005 was prepared.

- The District's employer contribution for retirement for firefighters ranged from 9% to 24% for 2005 and is expected to increase for 2006.
- Revenues are expected to stay consistent for 2006.

#### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the Caddo Parish Fire District No. 6 for all of the District's citizens, taxpayers, investors, and creditors. This financial report seeks to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Damon Johnson, Fire Chief, Caddo Parish Fire District No. 6, P O Box 292, Keithville, Louisiana 71047, or by calling (318) 925-8791.

**CADDO PARISH FIRE DISTRICT NO. 6**

**Statement of Net Assets  
December 31, 2005**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 66,167
Investments	29,373
Ad valorem taxes receivable - net	327,258
Fire protection service charges receivable - net	202,473
Refundable deposits	2,500
Capital assets - net of accumulated depreciation	<u>657,846</u>
<b>Total Assets</b>	<u>1,285,617</u>
<b>Liabilities</b>	
Accounts payable	88,304
Payroll withholdings and accruals	5,727
Long term liabilities:	
Payable within one year	80,000
Payable after one year	<u>375,000</u>
<b>Total Liabilities</b>	<u>549,031</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	202,846
Restricted for:	
debt service	216,941
Unrestricted	<u>316,799</u>
<u><b>Total Net Assets</b></u>	<u>\$ 736,586</u>

The notes to the financial statements are an integral part of this statement.

**CADDO PARISH FIRE DISTRICT NO. 6**

Statement of Activities  
For the Year Ended December 31, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Capital Grants and Contributions	Total	
<b>Governmental Activities:</b>					
Public safety-fire protection	\$ 588,278	\$ 180,579	\$ 78,800	\$	(328,899)
Interest on long term debt	<u>25,110</u>	<u>-</u>	<u>-</u>		<u>(25,110)</u>
Total Governmental Activities	<u>\$ 613,388</u>	<u>\$ 180,579</u>	<u>\$ 78,800</u>		<u>(354,009)</u>
<b>General Revenues:</b>					
Taxes:					
Ad valorem taxes				361,825	
Intergovernmental Revenues				58,511	
Interest Income				9,858	
Miscellaneous				<u>515</u>	
Total General Revenues				<u>430,709</u>	
Change in Net assets				76,700	
Net Assets, beginning of year				<u>659,886</u>	
Net Assets, end of year					<u>\$ 736,586</u>

The notes to the financial statements are an integral part of this statement.

**CADDO PARISH FIRE DISTRICT NO. 6**

Balance Sheets  
Governmental Funds  
December 31, 2005

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 64,569	\$ 1,598	\$ -	\$ 66,167
Investments	29,373	-	-	29,373
Ad valorem taxes receivable - net	163,629	163,629	-	327,258
Fire protection service charges receivable-net	202,473	-	-	202,473
Due from other funds	-	56,012	-	56,012
Refundable deposits	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Total Assets	<u>\$ 462,544</u>	<u>\$ 221,239</u>	<u>\$ -</u>	<u>\$ 683,783</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 88,304	\$ -	\$ -	\$ 88,304
Payroll withholdings and accruals	5,727	-	-	5,727
Due to other funds	56,012	-	-	56,012
Deferred revenue	<u>36,572</u>	<u>4,298</u>	<u>-</u>	<u>40,870</u>
Total Liabilities	<u>186,615</u>	<u>4,298</u>	<u>-</u>	<u>190,913</u>
<b>Fund Balances:</b>				
Reserved for:				
Debt service	-	216,941	-	216,941
Unreserved and undesignated	<u>275,929</u>	<u>-</u>	<u>-</u>	<u>275,929</u>
Total Fund Balances	<u>275,929</u>	<u>216,941</u>	<u>-</u>	<u>492,870</u>
Total Liabilities and Fund Balances	<u>\$ 462,544</u>	<u>\$ 221,239</u>	<u>\$ -</u>	<u>\$ 683,783</u>

The notes to financial statements are an integral part of this statement.

**CADDO PARISH FIRE DISTRICT NO. 6**

**Reconciliation of Fund Balances on the Balance Sheets  
for Governmental Funds to Net Assets of  
Governmental Activities on the Statement of Net Assets  
For the Year Ended December 31, 2005**

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<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 492,870</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Add - capital assets	1,255,968
Deduct - accumulated depreciation	(598,122)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - Series 2000 Bonds payable	(455,000)
Some of the property tax revenues will be collected after year- end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds	40,870
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 736,586</u></b>

**The notes to financial statements are an integral part of this statement.**

# CADDO PARISH FIRE DISTRICT NO. 6

## Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2005

	General Fund	Debt Service Fund	Capital Projects Fund	Total
<b>Revenues:</b>				
Ad valorem taxes	\$ 187,920	\$ 177,519	\$ -	\$ 365,439
Fire protection service fees	177,203	-	-	177,203
Intergovernmental revenues:				
State fire insurance rebate	16,524	-	-	16,524
Grants	95,823	-	-	95,823
State revenue sharing	10,864	-	-	10,864
State supplemental pay	14,100	-	-	14,100
Total intergovernmental revenues	137,311	-	-	137,311
Interest earned	9,344	514	-	9,858
Miscellaneous revenue	515	-	-	515
Total Revenues	512,293	178,033	-	690,326
<b>Expenditures:</b>				
Current:				
Fire protection	471,273	515	-	471,788
Debt service:				
Principal	-	75,000	-	75,000
Interest	-	25,110	-	25,110
Capital Outlay	102,930	-	-	102,930
Total expenditures	574,203	100,625	-	674,828
Net change in fund balances	(61,910)	77,408	-	15,498
Fund balances, beginning,	337,839	139,533	-	477,372
Fund balances, ending	\$ 275,929	\$ 216,941	\$ -	\$ 492,870

The notes to the financial statements are an integral part of this statement.



**CADDO PARISH FIRE DISTRICT NO. 6**

**Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2005**

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Amounts reported for governmental activities in the statement of activities are different because:

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 15,498</b>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$102,930) exceed depreciation expense (\$ 91,380) in the current period .	11,550
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	75,000
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes and service charges (structure fees)	<u>( 25,348)</u>
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<b><u>Change in Net Assets of Governmental Activities</u></b>	<b><u>\$ 76,700</u></b>
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## CADDO PARISH FIRE DISTRICT NO. 6

Notes to Financial Statements  
December 31, 2005

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### INTRODUCTION

The Caddo Parish Fire District No. 6 ("the District") was created by the Caddo Parish Commission by ordinance as provided under the Louisiana Revised Statutes 40:1496. The District is comprised of property in Southwest Caddo Parish and is governed by a board of commissioners, who are appointed by the Caddo Parish Commission. The purpose of the District is to provide fire protection and emergency services to residents of the District.

#### **1. Summary of Significant Accounting Policies:**

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These Statements establish new financial reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

For the year ended December 31, 2002, the District implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and Government Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

#### **Reporting Entity**

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity is financial accountability. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

The District is a component unit of the Caddo Parish Commission, the financial reporting entity. The Commission is financially accountable for the District because it appoints a voting majority of the board and has the ability to impose its will on the District.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

## CADDO PARISH FIRE DISTRICT NO. 6

Notes to Financial Statements

December 31, 2005

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### 1. *Summary of Significant Accounting Policies (continued):*

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information of all nonfiduciary activities of the District. The statement of activities demonstrates the degree to which the direct expenses of a given function segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function, segment or component unit. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District consists of one program, fire protection.

Governmental fund financial statements are provided for the District. The District consists of three governmental funds.

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-Wide Accounting – In accordance with Government Accounting Standards Board Statement No. 34, the District has presented a Statement of Net Assets and a Statement of Activities for the District as a whole. Government-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity.

Policies specific to the government-wide statements are as follows:

*Eliminating Internal Activity* – Interfund receivables and payables are eliminated in the Statement of Net Assets.

*Application of FASB Statements and Interpretations* – Reporting on governmental type and business-type activities are based on FASB Statements and Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

*Capitalizing Assets* – Tangible or intangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Equipment, furniture and fixtures, and buildings are recorded at their historical costs and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Assets

*Program Revenues* – The Statement of Activities presents two categories of program revenues - (1) charges for services; and (2) operating grants and contributions.

Charges for services are those revenues arising from exchange or exchange like transactions with external parties that purchase, use or directly benefit from the programs goods, services or privileges. Service charges (structure fees) are reported as charges for services.

Operating grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for operating purposes of a program. Supplemental salaries paid to the firefighters by the State of Louisiana, state revenue sharing, and fire insurance rebates are reported as operating grants and contributions.

## CADDO PARISH FIRE DISTRICT NO. 6

### Notes to Financial Statements

December 31, 2005

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#### ***1. Summary of Significant Accounting Policies (continued):***

##### **Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

***Restricted Net Assets*** – Restricted net assets are those for which a constraint has been imposed either externally or by law. Resources restricted for a specific purpose are exhausted before unrestricted net assets are used.

***Government-Wide Financial Statements*** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

***Government Fund Financial Statements*** – The Governmental financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Principal revenue sources considered are susceptible to accrual include property taxes, service fees, and interest on investments. Other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

Interest on general long-term obligations is recognized when paid.

##### **Fund Accounting**

The financial activities of the District are recorded in individual funds, each of which is deemed to be a separate accounting entity. The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds of the District are classified as governmental funds. Governmental funds account for the District's general activities, including collection and disbursement of specific or legally restricted monies, the acquisition, construction or improvement of capital assets, and the servicing of long-term debt. Governmental funds of the District include:

***General Fund*** – the general operating fund of the District and accounts for all financial resources, except those required to be accounted for in other funds.

***Debt Service Fund*** – accounts for transactions relating to resources retained and used for the payment of principal and interest on the long-term obligations.

***Capital Projects Fund*** – accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

## **CADD PARISH FIRE DISTRICT NO. 6**

### **Notes to Financial Statements**

**December 31, 2005**

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#### ***1. Summary of Significant Accounting Policies (continued):***

##### **Budgeting and Budgetary Control**

A budget for the ensuing year is prepared by the fire chief and approved by the board of commissioners prior to December 31<sup>st</sup> of each year. The proposed budget is prepared on a cash basis of accounting that is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The budget is legally adopted and amended, as necessary, by the board of commissioners. The board reserves all authority to make changes to the budgets. Unexpended appropriations lapse at year end and must be re-appropriated in the next year's budget to be expended. The budget was amended in 2003. See "Exhibit 1".

Formal integration of the budget into the accounting records is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

##### **Cash and Cash Equivalents**

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less when purchased. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

##### **Investments**

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of time deposits exceed 90 days, they are classified as investments. In accordance with GASB Statement No. 31, investments are recorded at fair value with the corresponding increase or decrease reported as investment earnings. All investments of the District are held in the Louisiana Asset Management Pool.

##### **Use of Estimates**

The preparation of financial statements generally requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

##### **Capital Assets**

The District's assets are recorded at historical cost. Capital assets are recorded as expenditures in the governmental fund financial statements. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are charged to expense as incurred. Depreciation expense is recorded in the government-wide financial statements using the straight-line method over the useful lives of the assets. All assets of the District are reported in the accompanying financial statements.

##### **Compensated Absences**

Compensated absences for vacation and sick leave do not accrue past the calendar year and are not paid for if not taken.

**CADDO PARISH FIRE DISTRICT NO. 6**

Notes to Financial Statements

December 31, 2005

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**1. Summary of Significant Accounting Policies (continued):**

**Long-term Obligations**

In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability reported on the Statement of Net Assets. In the fund financial statements, debt principal payments of the governmental funds are recognized as expenditures when paid.

**Receivables**

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible accounts.

Governmental fund type receivables consist primarily of amounts due for property taxes and charges for service (structure fees).

**Deferred Revenue**

Deferred revenues at the fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Available is defined as due (or past due) at December 31, and collected within 60 days thereafter to pay obligations due at December 31.

**Net Assets/Fund Balances**

In the Statement of Net Assets, the differences between a government's assets and liabilities are recorded as net assets. The three components of net assets are as follows:

*Invested in Capital Assets, Net of Related Debt* – This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction or improvement of capital assets.

*Restricted Net Assets* – This category records net assets that are restricted by external sources such as banks or by law are reported separately as restricted net assets.

*Unrestricted Net Assets* – This category represents net assets not appropriable for expenditures or legally segregated for a specific future use.

In the Balance Sheet of governmental funds, fund balances are segregated as follows:

*Reserved* – The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes.

*Unreserved* – The unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

**CADDO PARISH FIRE DISTRICT NO. 6**

**Notes to Financial Statements**

**December 31, 2005**

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**2. Cash and Cash Equivalents:**

At December 31, 2005, the District has cash and cash equivalents (book balances) totaling \$66,167 as follows:

	<u>Bank Balances</u>	<u>Book Balances</u>
Interest-bearing demand deposits	<u>\$ 72,581</u>	<u>\$ 66,167</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposits insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank that is mutually acceptable to both parties. At December 31, 2005, the District has \$ 66,167 in deposits (collected bank balances) that were fully secured from risk by federal deposit insurance.

**3. Investments:**

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name.
3. Uninsured or unregistered, with securities held by the counter party, or by its trust department or agent but not in the District's name.

Investments held by the District at December 31, 2005 consist of \$ 29,373 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification 150.126, the investment in LAMP at December 31, 2004 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. treasury, the U. S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

## **CADDO PARISH FIRE DISTRICT NO. 6**

Notes to Financial Statements

December 31, 2005

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### **3. Investments (continued):**

Effective August 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill 512, Act 701) enacted LSA - R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair market value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

### **4. Ad Valorem Taxes and Structure Fees:**

The District levies taxes on real and business personal property within its boundaries on November 1<sup>st</sup> of each year. Property taxes are due before December 31<sup>st</sup> and attach as an enforceable lien on property as of January 1<sup>st</sup> of the following year. Property taxes are recorded as receivables and revenue in the year assessed to the extent that revenues are collected within 60 days after year-end. All levied taxes not received within 60 days after year-end are recorded as revenue when payment is received.

On April 29, 1995, the voters of the District authorized a ten (10) year ten (10) mill ad valorem tax. The tax was renewed in 2004 for an additional ten years. The purpose of the tax is for maintaining and operating fire protection facilities, purchasing fire trucks and other fire fighting equipment, and paying the cost of obtaining water for fire protection purposes, including charges for fire hydrant rentals and services. The amount levied for 2005 was 10 mills.

On November 20, 1999, the voters of the District approved the issuance of general obligation bonds and the corresponding ad valorem taxes to be levied for debt service. The amount levied for 2005 was 10.0 mills.

For the year ended December 31, 2005, total ad valorem taxes of 20 mills were levied on property with assessed valuations totaling \$16,868,950 after the application of homestead exemptions and adjudicated property. Total taxes levied at December 31, 2005, for debt retirement and for operation were \$168,690 and \$168,690, respectively.

On November 18, 1995, the voters of the District also approved the levying of a \$75 service charge (structure fee) for each residential or commercial structure. Total service charges levied at December 31, 2005, were \$208,725.

An allowance for uncollectible taxes is deducted from the gross taxes and service charges assessed and recorded in the current year. Uncollectible taxes are those which, based on historical data, are not expected to be collected in the subsequent year.



# CADDO PARISH FIRE DISTRICT NO. 6

## Notes to Financial Statements

December 31, 2005

### 5. *Receivables:*

A summary of receivables at December 31, 2005, follows:

	General	Debt Service	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Ad valorem taxes	\$ 168,690	\$ 168,690	\$ 337,380
Less: Uncollectible Allowance	<u>(5,061)</u>	<u>(5,061)</u>	<u>(10,122)</u>
	<u>\$ 163,629</u>	<u>\$ 163,629</u>	<u>\$ 327,258</u>
Service charges	\$ 208,735	\$ -	\$ 208,735
Less: Uncollectible Allowance	<u>(6,262)</u>	<u>-</u>	<u>(6,262)</u>
	<u>\$ 202,473</u>	<u>\$ -</u>	<u>\$ 202,473</u>

### 6. *Capital Assets:*

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 3,587	\$ -	\$ -	\$ 3,587
Capital assets, being depreciated:				
Buildings & improvements	409,320	-	-	409,320
Equipment & furniture	<u>740,131</u>	<u>102,930</u>	<u>-</u>	<u>843,061</u>
Total	<u>1,149,451</u>	<u>102,930</u>	<u>-</u>	<u>1,252,381</u>
Less accumulated depreciation:				
Buildings & improvements	(137,874)	-	-	(137,874)
Equipment	<u>(368,868)</u>	<u>(91,380)</u>	<u>-</u>	<u>(460,248)</u>
Total	<u>(506,742)</u>	<u>(91,380)</u>	<u>-</u>	<u>(598,122)</u>
Net capital assets	<u>\$ 646,296</u>	<u>\$ 11,550</u>	<u>\$ -</u>	<u>\$ 657,846</u>

**CADDO PARISH FIRE DISTRICT NO. 6**  
Notes to Financial Statements  
December 31, 2005

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**7. Risk Management:**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including workers' compensation. There were no significant reductions in insurance coverage from the prior year.

**8. Pension Plan:**

**Firefighter's Retirement System of Louisiana**

**Plan Description**

Substantially all employees of the District are members of the Louisiana Firefighters' Retirement System (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees.

Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipally, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary.

Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

**Funding Policy**

Plan members are required by state statute to contribute 8.0% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The employer contribution rate ranges from 9.0% of annual covered payroll to 24%. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System for the year ending December 31, 2005 was \$57,750 which included assessments for 2003 and 2004 of \$29,280.

**CADDO PARISH FIRE DISTRICT 6****Notes to Financial Statements****December 31, 2005****10. Per Diem Paid to Board Members:**

The District has a voluntary board; therefore, no per diem amounts were paid during this period. Below is a list of the board members:

Barbara McGowan	Chairman
Paul Iblings	Vice-Chairman
Jerry Taylor	Secretary/Treasurer
Rupert Sepulvado	Board Member
Luther Loftin	Board Member

**11. Long-Term Obligations:**

A summary of change in long-term obligations is as follows:

	2000 Series General Obligation Bonds
Balance, December 31, 2004	\$ 530,000
Debt retired	(75,000)
Balance, December 31, 2005	<u>\$ 455,000</u>

Bonds payable consist of an \$800,000 bond issue dated August 1, 2000, due in annual installments of \$70,000 to \$105,000 through March 1, 2010. The interest rate for 2005 was 5%. The bonds are secured by levy and collection of ad valorem taxes.

The annual requirements to amortize debt outstanding as of December 31, 2005, including is as follows:

Year Ending	Principal	Interest	Total
2006	\$ 80,000	\$ 21,235	\$ 102,235
2007	85,000	17,089	102,089
2008	90,000	12,648	102,648
2009	95,000	7,906	102,906
2010	<u>105,000</u>	<u>2,730</u>	<u>107,730</u>
Total	<u>\$ 455,000</u>	<u>\$ 61,608</u>	<u>\$ 516,608</u>

**CADDO PARISH FIRE DISTRICT 6**

**Notes to Financial Statements**

**December 31, 2005**

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**12. On-Behalf Payments for Fringe Benefits and Salaries:**

Supplemental salary payments are made by the State directly to certain firemen employed by the District. GASB Statement No. 24 requires that on-behalf payments be recognized as both revenue and expenditure by an employer government entity. In accordance with this Statement, \$14,100 has been recognized as both intergovernmental revenue (state supplemental pay) and salaries in the General Fund.

**13. Due To/From Other Funds:**

As of December 31, 2005, interfund receivables and payable resulting from various interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ -	\$ 56,012
Debt Service Fund	56,012	-
Capital Project Fund	-	-
	<u>\$ 56,012</u>	<u>\$ 56,012</u>

# CADDO PARISH FIRE DISTRICT 6

Notes to Financial Statements

December 31, 2005

## Exhibit 1 Budgetary/GAAP Reporting Reconciliation General Fund

	<u>Actual on GAAP Basis</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 187,920	\$ ( 44,511)	\$ 143,409
Fire protection service fees	177,203	17,653	194,856
Intergovernmental:			
State fire insurance rebate	16,524	-	16,524
Grants	95,823	(83,460)	12,363
State revenue sharing	10,864	-	10,864
State supplemental pay	14,100	(14,100)	-
Interest earned	9,344	-	9,344
Sale of assets	-	-	-
Miscellaneous	515	-	515
Total revenues	<u>512,293</u>	<u>( 124,418)</u>	<u>387,875</u>
<b>Expenditures:</b>			
Current-fire protection:			
Collection expense	14,852	-	14,852
Employee benefits	20,364	-	20,364
Firefighters retirement	57,750	-	57,750
Gas, oil and fuel	12,273	554	12,827
Insurance	39,236	(4,062)	35,174
Medical supplies	2,655	-	2,655
Office supplies and expenses	4,817	1,296	6,113
Payroll taxes	10,967	(4,937)	6,030
Pension fund contribution	9,428	-	9,428
Professional fees	12,900	-	12,900
Public relations	2,923	186	3,109
Repair and maintenance	20,327	1,275	21,602
Salaries	221,748	(14,100)	207,648
Station supplies	9,305	(393)	8,912
Training and travel	12,907	-	12,907
Uniforms	1,194	( 186)	1,008
Utilities	17,627	(395)	17,232
Total fire protection	471,273	(20,762)	450,511
Capital outlay	<u>102,930</u>	<u>(83,460)</u>	<u>19,470</u>
Total expenditures	<u>574,203</u>	<u>(104,222)</u>	<u>469,981</u>
<b>Excess of Revenues</b>			
Over Expenditures	(61,910)	<u>\$ (59,204)</u>	<u>\$ (82,981)</u>
Fund Balances, Beginning	<u>337,839</u>		
Fund Balances, Ending	<u>\$ 275,929</u>		

# CADDO PARISH FIRE DISTRICT 6

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
(Cash Basis)  
General Fund  
For the Year Ended December 31, 2005

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 148,507	\$ 143,409	\$ 143,409	\$ -
Fire protection service fees	209,250	194,856	194,856	-
Intergovernmental:				
State fire insurance rebate	15,500	16,523	16,524	1
Grants	11,508	11,508	12,363	855
State revenue sharing	10,000	10,864	10,684	-
Interest earned	9,344	9,344	9,344	-
Gain on sale of assets	-	-	-	-
Miscellaneous	786	636	515	( 121)
Total Revenues	404,895	387,140	487,875	735
<b>Expenditures:</b>				
Current-fire protection				
Collection expense	14,000	14,000	10,362	3,638
Employee benefits	12,000	15,628	17,528	(1,900)
Firefighters retirement	25,000	16,973	16,138	835
Gas, oil and fuel	5,000	5,100	6,684	(1,584)
Insurance	35,000	19,500	41,461	(21,961)
Medical supplies	5,500	5,600	6,206	(606)
Office supplies and expense	3,420	3,400	10,787	(7,387)
Payroll taxes	6,400	3,782	3,906	(124)
Pension fund contribution	7,000	7,000	4,868	2,132
Professional fees	9,000	7,750	10,933	(3,183)
Public relations	2,250	6,000	10,096	(4,096)
Repairs and maintenance	13,000	13,000	23,783	(10,783)
Salaries	165,000	193,945	185,880	8,065
Station supplies	13,200	17,600	62,923	(45,323)
Training and travel	8,000	8,750	8,431	319
Uniforms	4,000	4,000	3,797	203
Utilities	14,960	14,480	16,376	( 1,896)
Total fire protection	342,730	356,508	440,159	(83,651)
Capital outlay	2,000	12,500	142,460	(46,500)
Total expenditures	344,730	369,008	582,619	( 130, 151)
<b>Excess of Revenues over Expenditures</b>	(5,177)	(35,455)	(111,284)	(35,720)
<b>Fund Balances, Beginning</b>	337,839	337,839	337,839	-
<b>Fund Balances, Ending</b>	\$ 443,482	\$ 413,204	\$ 226,555	\$ ( 35,720)



**Marsha O. Millican**  
**CERTIFIED PUBLIC ACCOUNTANT**

INDEPENDENT AUDITOR'S REPORT OF COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Commissioners  
Caddo Parish Fire District No. 6  
Keithville, Louisiana

I have audited the component unit financial statements of Caddo Parish Fire District No. 6 (the District) as of and for the year ended December 31, 2005, and have issued my report thereon dated June 23, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Caddo Parish Fire District No. 6's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as Findings #2005-1 and #2005-2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Caddo Parish Fire District No. 6's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors and applicable federal and state cognizant agencies and is not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Marsha O. Millican*

Certified Public Accountant  
June 23, 2006

810 WILKINSON  
SHREVEPORT, LA 71104-3036  
(318) 221-3881  
FAX: (318) 221-4641

Caddo Parish Fire District No. 6

Corrective Action Taken on Prior Year Findings

December 31, 2005

There were no findings or questioned costs for the year ended December 31, 2004.



Caddo Parish Fire District No. 6

Schedule of Findings and Questioned Costs

December 31, 2005

FINDING 2005-1:

Criteria: The District is not in compliance with the requirements of the 2000 Series General Obligation Bond Indenture.

Condition: On March 18, 2005, the District transferred \$70,000 from accounts restricted for bond retirement to an unrestricted general fund account.

Cause: Due to unusual expenses incurred by the District to assist in Hurricane Katrina and Rita relief efforts, our normal operating funds were not sufficient to cover operating expenses. Also, the District was assessed additional retirement for 2003 and 2004 that was not anticipated.

Recommendation: The District should use restricted funds only for their intended purposes.

Management's Response and Corrective Action Plan: The general fund will repay the debt service fund in 2006.

FINDING 2005-2:

Criteria: The District is not in compliance with the state budget law.

Condition: Although the District amended its budget during the year, actual expenditures exceeded budgeted amounts by more than 5%.

Cause: Due to unusual expenses incurred by the District to assist in Hurricane Katrina and Rita relief efforts, our normal operating funds were not sufficient to cover operating expenses. Also, the District was assessed additional retirement for 2003 and 2004 that was not anticipated.

Recommendation: I recommend the District amend the budget whenever actual expenditures exceed budgeted expenditures by 5% or more.

Management's Response and Corrective Action Plan: We will amend our budget in the future as required by state law.